Redevelopment and Economic Development
January 29, 2007

Redevelopment began in Utah in the mid 1960's with the Utah Community Development Act. Its original intent was to fund the revitalization of downtown areas of communities through Tax Increment Financing (TIF). Tax Increment Financing allows the tax dollars collected for a redevelopment project area that are in excess of a "base year" tax amount to be paid to the redevelopment agency for purposes of "alteration, improvement, modernization, reconstruction, or rehabilitation...of existing structures in a project area" rather than the taxing entities.

The 1969 Legislature rewrote the law to create the Neighborhood Development Act of 1970. The first major revision to this act was the 1983 changes in which an incremental rollback, or "haircut" provision was added wherein 100% of the tax increment went to the RDA for the first 5 years, then 80% for years 6 to 10, 75% in years 11 to 15, 70% in years 16 to 20 and 60% in years 21 to 25. The balance of increment flowed to the taxing agencies. Under the Neighborhood Development Act, tax increment payments could be delayed up to 7 years. The total potential life of a redevelopment project was 32 years.

The second major revision occurred in 1993 wherein the "haircut" provision was repealed and substituted with more restrictive tax increment dollar amounts and terms. The total potential life of a project was set at 24 years. Two categories of redevelopment were defined at that time: Economic Development and Redevelopment. Traditional blight-based Redevelopment projects usually began with a study to determine blight, allowed retail development and retained the power of eminent domain. Economic Development projects did not use findings of blight, did not allow retail development and did not allow the use of eminent domain. A Taxing Agency Committee was also created for both types of projects in which representatives from the city, county, school district, the State Board of Education, and a person representing all other small taxing entities approved multi-year project budgets, projects larger than 100 acres, and approved tax increment amounts and durations outside those guidelines stipulated in law.

In 1998 the act was further amended to allow redevelopment agencies to bypass the need for the Taxing Agency Committee to approve a multi-year budget if the agency governing board approved the project by a 2/3 majority and pledged 20% of the tax increment to the Olene Walker Affordable Housing Trust Fund. In May 2000, the Legislature reinstated the Taxing Agency Committee's responsibility to approve all multi-year project budgets, repealed the RDA governing board 2/3 approval requirement, and provided that all projects generating more than $100,000 in tax increment annually must spend at least 20% of the tax increment on income targeted housing according to the Olene Walker Affordable Housing Trust Fund stipulations.[1] The Legislature also required the redevelopment agency to prepare and adopt a housing plan showing the uses of the

[1]With the stipulation that if both the Olene Walker Affordable Trust Fund Board and the Taxing Agency Committee mutually consent that 20% of the tax increment is more than is needed to address the community's need for affordable housing, a lesser amount is allowed, including none.

affordable housing funds in the community and provide a copy of the plan to the Taxing Agency Committee and the RDA governing board. In addition, the 2000 Legislature established a third redevelopment project category–in addition to Economic Development and Redevelopment: Education Housing Development. Education Housing Development means to provide high density housing adjacent to a public or private institution of higher education. Redevelopment agencies may not use eminent domain in connection with Education Housing Development projects. School districts may elect not to participate in an Education Housing Development project Taxing Agency Committee; if a district takes this action, the redevelopment agency may not collect tax increment from taxes levied by the school board in the project area. The 2001 Legislature repealed, reenacted, and rewrote the statutory provisions relating to redevelopment agencies into Title 17B, Chapter 3 called “Redevelopment Agencies Act of 2001." The 2001 Legislature also required school district and State Board of Education representatives of the newly titled “Taxing Entity Committee” to report in writing within 45 days the reasons for their votes in favor of allowing a redevelopment agency to be paid tax increment to their respective boards of education. County assessors were also required to report on the value of property within a project area to the Taxing Entity Committee. The 2003 Legislature expanded the blight criteria for Redevelopment-type RDA projects to include Superfund sites. The new statute also allows superfund sites over 100 acres to be included in RDA project areas without having to obtain the majority consent of the Taxing Entity Committee (TEC).

During the 2006 Legislative session, major revisions occurred to redevelopment. Some of the major changes included rewriting and reorganizing redevelopment agency provisions and repealing and amending existing provisions. This legislation changed the terminology from “redevelopment agency” to “community development and renewal agency” and from “redevelopment” to “urban renewal.” This legislation states that the taxing entity committee approval, consent, or other action requires the affirmative vote of two-thirds of all members present at a taxing entity committee meeting at which a quorum is present. It eliminated education housing development as one of the types of projects that an agency may undertake.

This legislation also redefined the definition of blight to be more specific. Some of the new definitions of blight include that the proposed project area consists predominantly of nongreenfield parcels, physical dilapidation, deterioration, or defective construction of buildings or infrastructure, or significant noncompliance with current building code, safety code, health code, or fire code requirements or local ordinances.

The 2006 legislation authorized agencies to under take “community development” which is defined as “development activities within a community, including the encouragement, promotion, or provision of development.” Under this scenario, Community Development and Renewal agencies may undertake a project to negotiate with other taxing entities and to receive tax increment and sales tax revenues from those other entities as those other entities agree in an interlocal agreement.

In addition, the legislation requires that the Taxing Entity Committee meets annually for a status report and that the Taxing Entity Committee will set the budget for any percent, any dollar amount, or any length of time of the project.

Over the past twelve years–since June 1993–Taxing Agency/Entity Committees have approved 52 Redevelopment (blight-based) projects and 52 Economic Development (job-based) projects. The average term of these projects was 15 years; the maximum was 25 years and the minimum was 5 years. The average amount of increment per project was $23.4 Million; the maximum was $1.16 Billion, the minimum was $106,416.

Today there are 78 redevelopment agencies (72 in cities or towns and 6 in counties), with approximately 206 individual redevelopment or economic development projects, collecting approximately $87 Million[2] in increment. The annual diversion of these incremental tax dollars from the Public Education Basic Tax Rate is about $11.2 Million; the impact on the other 12 school district tax rates state-wide is approximately $37.1 Million, for a total impact of about $48.3 Million[3].

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[2]Actual increment for FY 2005-06

[3]Impact estimates are based on tax year 2005 (FY 2005-06) increment data.